

KPS HEALTH PLANS, IN REHABILITATION

**NOTICE OF HEARING
ON RECEIVER'S PETITION FOR ORDER
CONFIRMING MODIFICATION OF KPS REHABILITATION PLAN,
TRANSFER OF OWNERSHIP AND TERMINATION OF PLAN**

YOU ARE HEREBY NOTIFIED that the Receiver of KPS Health Plans, in Rehabilitation, has filed a Petition for Order Confirming Modification of KPS Rehabilitation Plan, Transfer of Ownership and Termination of Plan in Thurston County Superior Court Cause No. 99-2-01441-1. A copy of the full Petition may be obtained from the Clerk of Court, Thurston County Superior Court; or from the offices of KPS, in Rehabilitation, at 400 Warren Avenue, Bremerton, WA 99337.

YOU ARE FURTHER NOTIFIED that the hearing on the Petition will be Friday, August 19, 2005, on the 1:30 P.M. calendar before the Honorable Richard D. Hicks, Thurston County Superior Court, 2000 Lakeridge Drive S.W., Olympia, WA.

In summary, the Receiver seeks Court confirmation to modify the Rehabilitation Plan to transfer ownership of KPS to Group Health Cooperative ("GHC") and to move KPS out of rehabilitation proceedings. Under the transfer, GHC would become the sole member/owner of KPS, would continue to operate KPS in Bremerton as a Health Care Service Contractor and as a separate entity from GHC for a period of at least four (4) years, and would offer the health care products offered by KPS. GHC would transfer the amount of approximately \$19 million to KPS. KPS would also pay to surplus note holders fifty percent of the principal amount under the notes, which is approximately \$3.1 million, and would issue new participation notes for the remaining 50% principal balance, to be paid by KPS upon attainment of certain financial levels over three years.

Objections to the Petition must be in writing. They must be filed with the Thurston County Superior Court Clerk's Office and served on the Receiver's Legal Counsel at the address below, by no later than Friday, August 12, 2005.

Legal Counsel for the Receiver:

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